

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 IO-14 ISO-00 AF-10 ARA-16 EA-11 NEA-10

RSC-01 OIC-04 INRE-00 SSO-00 NSCE-00 USIE-00 AGR-20

CEA-02 CIAE-00 COME-00 DODE-00 FRB-02 H-03 INR-10

INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-04 AID-20

CIEP-02 SS-20 STR-08 TAR-02 TRSE-00 PRS-01 SPC-03

OMB-01 DRC-01 /229 W

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TO SECSTATE WASHDC IMMEDIATE 2280

INFO AMEMBASSY BERN

SUEC BRUSSELS 3564

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY OSLO

AMEMBASSY REYKJAVIK

AMEMBASSY STOCKHOLM

AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: ETRD, GATT, EC, EFTA

SUBJECT: RULES OF ORIGIN (R/O)

REF: GENEVA 5622

SUMMARY: IF OPPOTUNITY ARISES DURING CURRENT CASEY-SOAMES
MEETING IN WASHINGTON TO RAISE PROBLEM OF EC/EFTA RULES OF
ORIGIN, MISSION SUGGESTS U.S. CONTINUE TO EXPRESS PREFERENCE
FOR SEPARATE GATT WORKING PARTY BUT ADVISE EC IF THEY MAINTAIN
OPPOSITION AT NOVEMBER 7 GATT COUNCIL, U.S. MAY HAVE TO USE
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WP ON EC-MORWAY LATER THIS MONTH FOR DETAILED

EXAMINATION OF R/O TAKING UP ANALYSIS NOT DONE IN CONNECTION WITH OTHER EC/EFTA ARRANGEMENTS, WHICH WOULD INEVITABLY DELAY REPORTING ON AGREEMENT FOR SOME TIME.

PARA 5 BELOW SUGGESTS A POSSIBLE ALTERNATIVE FOR U.S. INTERNAL CONSIDERATION IF EC MAKES CLEAR IT WILL NOT COOPERATE WITH DETAILED R/O EXAM IN CONTEXT EC-NORWAY. END SUMMARY.

1. MISSION'S INFORMAL SOUNDINGS WITH SWEDISH, SWISS, FINNISH AND EC PERMELS INDICATE PRESENT PROSPECTS ARE VIRTUALLY NIL THAT EC/EFTA DELEGATIONS WILL REVERSE POSITION THEY TOOK AT OCTOBER 19 COUNCIL (REFTEL) AND ACCEPT U.S. PROPOSAL FOR SEPARATE GATT WORKING PARTY ON R/O. TIME VERY LIMITED FOR HIGH-LEVEL APPROACHES IN CAPITALS AND NECESSARY INTRA-EC COORDINATION IN ADVANCE GATT COUNCIL NOVEMBER 7 WHEN SUBJECT IS TO BE RESUMED. CURRENT CASEY-SOAMES MEETING MAY ACCORDINGLY BE ONLY PRACTICAL OPPORTUNITY TO EXPLORE IF AGREEMENT POSSIBLE AND, IF NOT, TO REACH AN UNDERSTANDING AS TO NEXT STEPS IN GATT ON THIS SUBJECT.

2. ADDITIONAL REASON FOR RAISING AT CASEY-SOAMES LEVEL IS OUR BELIEF THAT EC COMMISSION IS KEY TO SECURING MODIFICATION OF PRESENT EC/EFTA POSITION BECAUSE (A) MAIN EFTA COUNTRIES ARE IN FACT UNHAPPY ABOUT SOME FEATURES OF EXISTING R/O THEY HAD TO ADOPT AS PART OF EC/EFTA ARRANGEMENTS, (B) EFTA COUNTRIES HAVE BEEN SEEKING CHANGES IN THESE R/O IN RECENT BILATERAL MEETINGS WITH EC, AND (C) IN PRIVATE CONVERSATION HERE EC COMMISSION REP (LUYTEN) HAS INDICATED TOUGHER LINE AND GREATER SUSPICION ABOUT MOTIVES UNDERLYING U.S. PROPOSAL THAN WE HAVE HEARD FROM ANY EC MEMBER STATE DELEGATION; LUYTEN EQUATED OUR PROPOSAL WITH WHAT HE TERMED UNREASONABLE U.S. POSITION ON ARTICLE XXIV:6 NEGOTIATIONS, I.E. THAT THE U.S. IGNORES DYNAMIC EFFECTS FOR THIRD COUNTRIES OF LOWERED TARIFFS AMONG REGIONAL GROUPINGS, DISPARAGES BENEFITS FOR U.S. SUBSIDIARIES OPERATING WITHIN DUTY-FREE AREA, AND IS ATTEMPTING TO GET "FREE RIDE" FOR DIRECT U.S. EXPORTS.

3. WE HAVE HAD CONFIRMATION OF REFTEL REPORT ABOUT NORWEGIAN AND FINNISH ANXIETY THAT THEIR ASSOCIATION ARRANGEMENTS NOT BE GUINEA PIGS FOR U.S. PROPOSAL. NO/FINNS WANT THEIR ARRANGEMENTS TO BE HANDLED NO DIFFERENTLY THAN OTHER FIVE EC/EFTA ARRANGEMENTS, I.E. LIMITED OFFICIAL USE

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1 OR 2 DAY MEETING FOR EACH WITH STAND-OFF BETWEEN NUMERICALLY-LARGE NUMBER OF CPS WHO CONSIDER ARRANGEMENTS FULLY MEET ARTICLE XXIV REQUIREMENTS AND SMALL NUMBER OF THIRD COUNTRIES WHO FEEL DIFFERENTLY BECAUSE OF R/O AND INADEQUATE COVERAGE OF AGRICULTURAL PRODUCTS. NOR/FINNS INDICATED UNEASINESS ABOUT POSSIBILITY THAT U.S. PROPOSAL FOR THROUGH EXAM OF R/O MIGHT DELAY COMPLETION OF GATT EXAM OF THEIR ARRANGEMENTS WITH EC, THUS LEAVING GATT STATUS OF THESE ARRANGEMENTS IN LIMBO FOR AN EXTENDED PERIOD. WE BELIEVE

OTHER 5 EFTA PARTNERS WOULD ALSO STRONGLY PREFER TO HAVE NOR/FINNS ARRANGEMENTS TREATED IN GATT IN SAME WAY AS THEIR OWN ARRANGEMENTS WITH EC, I.E. GET IT OVER WITH QUICKLY.

4. THIS SITUATION MAY GIVE US SOME LEVERAGE. WE MIGHT TELL EC AT SOAMES LEVEL EC AND EFTA PARTNERS HAVE A CHOICE BETWEEN A SEPARATE GATT WP ON R/O AS WE HAVE PROPOSED OR A DETAILED AND INEVITABLY LENGTHY EXAMINATION IN CONTEXT EC-NORWAY. LATTER WILL BE TAKEN UP BY GATT UP EITHER WEEK STARTING NOVEMBER 26 OR DECEMBER 3 (ANSWERS TO CPS QUESTIONS ON EC-NORWAY CURRENTLY BEING PROCESSED AND ARE EXPECTED TO BE CIRCULATED ABOUT NOVEMBER 1. HINT OR EVEN MORE DIRECT ASSURANCE COULD BE LEFT WITH EC THAT IF THEY ACCEPT SEPARATE WP ON R/O, WE WILL TREAT EC/NOR AND EC/F INLAND ARRANGEMENTS IN EXPEDITIOUS MANNNER.

5. WE SHOULD RECOGNIZE, OF COURSE, THAT EC AND EFTA PARTNERS MAY NOT ONLY DECLINE TO ALTER THEIR OPPOSITION TO SEPARATE WP ON R/O BUT ALSO DECLINE TO COOPERATE WITH AN ATTEMPT U.S. MIGHT MAKE TO LAUNCH DETAILED EXAM IN CONTEXT EC-NORWAY. IF U.S. RAISES R/O PROBLEM AT SOAMES LEVEL AND RECEIVES REACTION OF THIS KIND, WE SUGGEST INTERESTED AGENCIES CONSIDER PROS AND CONS OF U.S. FILING AN NTB NOTIFICATION AGAINST EC/EFTA COUNTRIES ON GROUNDS PRESENT R/O CONSTITUTE UNNECESSARILY RESTRICTIVE TRADE BARRIER. THIS WOULD SHIFT R/O PROBLEM TO MULTILATERAL TRADE NEGOTIATIONS. A POSSIBLE ADVANTAGE IS EC/EFTA WOULD AT LEAST HAVE TO TALK ABOUT R/O IF FORMAL COMPLAINT FILED (BUT WITH NO GUARANTEE HOW QUICKLY THIS WOULD OCCUR). A POSSIBLE DISADVANTAGE IS IMPLICATION THAT THIRD CUNTRIES MIGHT BE EXPECTED TO PAY FOR MORE LIBERAL RO/O BY TARIFF OR NTB CONCESSIONS OF THEIR OWN.
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